

News monitored for: Mphasis

COVER STORY

Pratima H
pratimah@cybermedia.co.in

RANK 15
MPHASIS LTD

EMPHASIS ON LARGE DEALS

Mphasis is a digital transformation major with design engineering as its forte. It has some interesting deep engineering tools and works on the Mphasis Tribes and Squads model



NITIN RAKESH
CEO, Mphasis Ltd

This company is a digital transformation major with design engineering as its forte. It has some interesting deep engineering tools and works on the Mphasis Tribes and Squads model, some unique frameworks like the Front2Back approach, Cloud and Cognitive capabilities. It operates mainly in areas like service transformation, NextOps, XAAP, Experience Design and Cyber Security. It was set up in 1992 and it serves some top global banks, top mortgage lenders, and top global insurance companies with a footprint in about 21 countries.

As per its Quarter results for Q2'23- The company's net profit rose 4.1 per cent QoQ and 22.6 per cent YoY to Rs 4,18.5 crore in Q2 FY23. The gross revenue grew 4.0 per cent QoQ and 23.9 per cent YoY on a reported basis.

In dollar terms, the company recorded revenues of \$440 million, up 0.9 per cent QoQ and up 14.3 per cent YoY.

For the quarter-ended June 2022, Gross Revenue grew 4.5 per cent QoQ and 26.8 per cent YoY on a reported basis to INR 33.9 billion (USD 436 million). Direct revenue grew 5.0 per cent QoQ and 33.3 per cent YoY on a reported basis to INR 31.7 billion (\$408 million). This quarter also saw new TCV wins of USD 302 million in Direct, of which 84 per cent in new generation services.

Recapping its performance in FY 2021 in an Earnings call, CEO Nitin Rakesh shared that – the fourth quarter performance rounded up a satisfying 2021, wherein the company achieved an overall revenue growth of five per cent in constant currency and US dollar revenue growth at 5.6 per cent. He claimed that this placed the company well above the industry average in FY 2021. Its core market, the US, and investment market, Europe, had both grown well. He shared that US and Europe had fared well with overall growth of 8.5 per cent and 16.7 per cent respectively on a three-year CAGR basis.

What stands out is that the company is digging its feet deeper into some strong verticals and the top bracket of



News monitored for: Mphasis

KEY SEGMENTS AND REGIONS

- Banking and capital markets, emerging industries, IT, communication and entertainment, and insurance sectors – served by software services and projects, licensing arrangements and application services, as well as infrastructure outsourcing services.
- The company was seen heavily focusing on European outposts to deepen its reach and service delivery in this regions.
- It has been setting up of new centers in Mexico, Costa Rica and Taiwan. In May 2021, it announced its interests for expanding its footprint in the UK by establishing a near-shore center, outside of London.
- It has also evinced plans to ramp up headcount in Mexico and West Yorkshire and strengthen these regions and operations like Guadalajara and a UK Centre of Excellence in Leeds.
- In 2021, it has expanded its footprint in Germany with the launch of a new delivery centre at Hansaallee 299 in Dusseldorf, to support its growing presence in Europe.



KEY WINS

- The company won a new TCV of \$302 million in Q2 FY23 in Direct. It also won two large deals in Q2 FY23 totalling \$110 million. It announced new TCV wins of USD 241million in Q2 FY22 in Direct.
- A leading US Bank, a leading logistics provider and a leading technology services provider
- It was also granted a US patent for AI-driven applications and infrastructure in July 2021



NEW INITIATIVES & INVESTMENT

- Partnership with VMware for multi-cloud experience with the launch of Mphasis Innovation Lab for VMware Tanzu in 2022
- Collaboration with IIT Madras for applied research in Quantum Computing
- Partnership with the University of Calgary for boosting Quantum ecosystem
- Partnership with Securonix for Cyber Threat Monitoring
- Partnership with CrossTower for a CoE in Blockchain

clients. It's putting its weight behind large deals exploiting both the opportunity present in the industry and its own specific muscles for this scale.

As per those results, its pipeline in Europe seems to be strong, especially with new clients and this region could continue to be a growth driver for FY 2022 and beyond. In terms of verticals, Banking and Capital Markets emerged dominant and grew 26 per cent in FY 2021 in US dollar terms. The company's investments in Hi-Tech were also delivering dividends with growth of over 50 per cent in FY 21. Its Insurance business registered three successive quarters of sequential growth over second to fourth quarter FY 2021, having bottomed out in first quarter. The company claims to have built a robust TCV and pipeline in Insurance, including large deals, and expects to convert this into revenue in the coming quarters as well.

The company has seen improving client mining clearly in FY 2021. It shared that its top five and top 10 clients have grown consistently, registering 13 per cent and 19 per cent growth respectively in FY 2021 in USD terms. The average contribution of its top five clients exceeds \$100 million and all its top five clients are greater than \$75 million. Its FY 2021 top 6 to 10 client growth at 42 per cent was more than twice the overall Direct growth, and its top 11 to 20 clients grew 16 per cent for the year.

On the TCV front, it recorded a TCV of \$245 million of the deals won in fourth quarter 2021, and its FY 2021 net new TCV at \$1.1 billion was up 51 per cent over FY 2020. It also announced the closing of a landmark deal for \$250 million in the UK.

The company's leadership is confident that it has institutionalized a strong deal archetype playbook by account, for protecting the core, repeatable growth in capability-led transformation.

With large contracts in its pipeline, there is expectation that its current trend of new deal wins will continue over the medium term. The company attributes this to its ability to stitch large integrated deals – specially with an increasing component of larger and longer tenure deals. There was also a notable chunk of heavy new-gen services portion in its net new TCV (which the company acknowledges to its tribes model) with a contribution at 73 per cent of its FY 2021 deals in new-gen areas. Its tribes-led deals accounted for three quarters of our FY 2021 TCV. Interestingly, the average large deal size on an LTM basis at \$79 million is 2.5x from what was two years ago. Its large deals are increasingly multi-tower, transformation-based and longer tenure. 